

May 5, 2020

Assembly Insurance Committee Chair, Members and Staff
VIA EMAIL
Sacramento, CA 95814

Re: SB 292 – Oppose

Assembly Insurance Committee Chair, Members and Staff:

We write to respectfully register our opposition to SB 292 in its current form, gutted and amended last week from its original language. The only portion of this bill that merits our support is the concept of developing a public (open source) catastrophe insurance model for rate setting.

Before SB 292 was gutted and amended, it looked like a useful vehicle for providing households with financial assistance to make risk reduction home improvements. Improvements to harden their homes and qualify them to get the certificate that would in turn help them find and maintain affordable insurance. Our organization was poised to support the original bill as a key complement to AB 2367, the statewide wildfire risk reduction, certification and insurance reward program we've been advocating as the best solution to the home insurance affordability and availability crisis that's gripping WUI regions throughout California.

The current version of SB 292 unveiled last week shows little resemblance. The bill now is a companion measure to AB 2167 that sets up a complicated market assistance program, allows insurers to use "black box" catastrophe models in fast tracked rate filings. UP opposes AB 2167 because it is virtually guaranteed to raise home insurance rates long term with little counterbalancing benefits to consumers.

On the same grounds, we oppose SB 292.

An industry publication titled "[Insurance Industry Is Rethinking Cat Modeling After Last Year's Disasters](#)" confirms that many regulators and industry professionals see catastrophic risk modeling as a useful but not a reliable sole basis to base rates on. John Langione, chief risk officer at QBE North America, states, "models are great, but they're part of the process." Bruce Jones, executive vice president and chief risk officer at The Travelers Companies, Inc., acknowledged that, "[n]ot all models are created equal." He further went on to explain that wildfire models are more immature than those used in other natural

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disasters. Probabilistic wildfire loss models are admittedly complex, and even a simple process failure, such as data that is not kept extremely current, could have extremely negative consequences for consumers and insurers alike.

We urge a no vote on SB 292.

Thank you for your time and consideration on this important matter.

Sincerely,

A handwritten signature in black ink that reads "Amy Bach". The signature is written in a cursive, flowing style.

Amy Bach,
Executive Director